

DIRECT TESTIMONY

OF

WILLIAM RILEY

ELECTRIC SECTION - ENGINEERING DEPARTMENT

ENERGY DIVISION

ILLINOIS COMMERCE COMMISSION

Illinois Power Company
Proposed Transfer of Fossil Fuel Fired Generating Units
Pursuant to 220 ILCS 5/16-111(g)

Docket No. 99-0209

May 1999

1. **Q. Please state your name and business address.**

A. My name is William Riley and my business address is 527 East Capitol Avenue, Springfield, Illinois.

2. **Q. By whom are you employed and in what capacity?**

A. I am employed by the Illinois Commerce Commission as Chief of the Electric Section in the Engineering Department of the Energy Division.

3. **Q. Please state your educational background.**

A. In 1987, I graduated from Bradley University, Peoria, Illinois with a Bachelor of Science degree in Mechanical Engineering. In 1995, I received a Master of Business Administration Degree from the University of Illinois at Springfield.

4. **Q. What is the purpose of this docket?**

A. The Illinois Commerce Commission has opened an investigation pursuant to Section 16-111(g) of the Public Utilities Act ("Act") (220 ILCS 5/16-111(g)) concerning Illinois Power Company's ("IP") proposed sale of fossil fuel fired generating plants.

5. **Q. What are your duties and responsibilities associated with this docket?**

A. IP is proposing to sell its fossil fuel fired electric generating plants to an affiliate of Illinova, the parent company of IP. Section 16-111(g)(4)(vi) of the Act provides the Commission with the authority to prohibit the transaction if the transaction will render IP unable to provide its tariffed service in a safe and reliable manner. It is my responsibility to determine whether the proposed transaction will render IP unable to provide its tariffed services in a safe and reliable manner.

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27 6. **Q. Please summarize the conclusions made in your direct testimony.**

28 A. In my opinion, the proposed transaction will not render IP unable to provide its tariffed
29 services in a safe and reliable manner.

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31 7. **Q. What method have you used to determine whether the proposed transaction will render**
32 **IP unable to provide its tariffed services in a safe and reliable manner?**

33 A. To date, IP has operated the facilities and its system in a manner which provides safe and
34 reliable service to its customers. I have reviewed IP's testimony and the terms of the Purchase
35 Power Agreement ("PPA") to determine whether the availability and operation of the
36 transferred units by the Wholesale Electric Supply Company ("WESCO") will differ in any
37 substantive way from the availability and operation of these plants under management by IP.

38

39 8. **Q. Will the PPA assure that IP will be able to provide safe and reliable service to IP's**
40 **customers?**

41 A. Yes, I believe it will. Pages 6-17 of the direct testimony of IP witnesses Richard Eimer and
42 Robert Reynolds (IP Exhibit 2.1) explain how IP will maintain its service obligations under the
43 PPA. IP Exhibit 2.3 also discusses how IP will meet its service obligations after transfer of the
44 generating facilities. In my opinion, the following terms of the PPA are significant to IP's
45 ability to provide safe and reliable service after transfer of the fossil units:

46 • Under the PPA, IP is entitled to an amount of generating capacity from the fossil units
47 equal to their monthly net dependable capacities (PPA, Sec. 5(a)(ii)). This may be
48 reduced from time-to-time to allow for maintenance of the generating facilities. This is not
49 significantly different from what IP would receive if it owned the units.

- IP retains the right to purchase additional capacity from WESCO or any other third party provider (PPA, Sec. 5(f)).
- IP will dispatch WESCO's generating units (PPA, Sec. 7(d)).
- IP is entitled to call upon any operable WESCO fossil unit whenever IP deems it necessary to maintain transmission and distribution system integrity, to fulfill a requirement of IP's Open Access Transmission Tariff ("OATT"), or to comply with a directive or requirement of the North American Electric Reliability Council ("NERC"), the MidAmerican Interconnected Network ("MAIN") or any regional reliability council of which IP may be a member (PPA, Sec. 7(e)).
- IP can veto any planned outage schedule developed by WESCO on the basis of transmission and distribution system reliability (PPA, Sec 12(a)).
- WESCO cannot sell or assign any of the fossil units during the primary term of the PPA without contracting for replacement power and energy from a supplier acceptable to IP (PPA, Sec. 19(a)).

9. **Q. What will be IP's peak load reserve margin after the transfer of the generating units?**

A. In IP Exhibit 2.3, Illinois Power provides an analysis of its peak load reserve margins, assuming the transfer of the generating units and also assuming various levels of customer retention under customer choice¹. In this analysis, IP made three load and capacity forecasts for the period 1999 - 2004 based on different levels of customer retention; 100%, base case, and worst case. None of the forecasts included capacity from the Clinton nuclear station. In the 100% retention scenario (Table 7, IP Exhibit 2.3), IP's reserve margin is below the MAIN

¹ Customer Choice refers to certain customer's ability to choose their electricity supplier beginning October 1, 1999.

72 minimum of 15% in all years. In the base case (Table 5), IP has a 12.3% reserve margin in
73 1999 which increases to 13.9% in 2000 and increases continually through 2004. In the lowest
74 retention forecast (Table 6), IP has a 12.3% reserve margin in 1999 which increases to 21% in
75 2000 and increases up to 53% in 2004. Both the total retention and low retention forecasts
76 are unlikely to occur. Under the base case, or most likely scenario, IP's reserve margin in
77 1999 and 2000 are less than the MAIN requirement. It must be noted that the 12.3% reserve
78 margin for 1999, shown in all three scenarios, reflects IP ownership of all fossil units. The
79 transfer will not take place until after the 1999 peak season. In addition, since the PPA
80 provides IP with the same aggregate generating capacity from the fossil units that IP has
81 currently, the reserve margins reflected in IP Exhibit 2.3 would be no different if IP retained
82 ownership of the plants.

83
84 10. Q. Does IP's testimony indicate whether IP will be able to provide safe and reliable service
85 after cancellation of the PPA?

86 A. Yes, it does. In supplemental direct testimony (IP Exhibit 2.6 and 2.7), IP explains how
87 various regulatory and contractual requirements will ensure continued reliability upon
88 cancellation of the PPA. The main points of the testimony are as follows:

- 89 • The primary term of the PPA runs through 2004, which will give IP adequate time to
90 make system improvements or arrange for additional generation.
- 91 • By 2005, there may be an independent system operator ("ISO") or transmission company
92 which will have responsibility for operating and maintaining the regional transmission
93 system.

- WESCO, IP or other generation operating in the IP control area will provide voltage support and import capability even if that generation is not operating directly to serve IP load.
- IP will have other contractual arrangements with WESCO, such as interconnection and transmission service agreements.
- WESCO would have an obligation under IP's OATT to redispatch its generation, if necessary, to maintain the reliability of the transmission system.
- Significant new generating capacity is planned and under construction in Illinois, some in IP's control area.

11. **Q. If an ISO or Transmission Company is not in place by the time the PPA is cancelled, do you believe this would cause IP's reliability to suffer?**

A. No. It would only mean that IP, not the ISO or transmission company, would be responsible, as IP is now, for assuring safe operation of the transmission system in IP's control area.

12. **Q. In summary, do you believe the transfer of IP's fossil generating stations will render IP unable to provide its tariffed service in a safe and reliable manner.**

A. No. During the term of the PPA, the operation of the fossil units will not differ significantly from their operation if owned by IP. In fact, the same individuals who currently operate and maintain the fossil stations for IP will become WESCO employees. After the expiration of the PPA, contractual and regulatory constraints will maintain system reliability. WESCO needs IP's transmission system to deliver WESCO's power. It is not in WESCO's interest to jeopardize the reliability and operation of IP's transmission system.

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118 13. Q. **Does this complete your direct testimony?**

119 A. Yes, it does.